

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

February 29, 2000

FROM:       ROBERT P. OLISLAGERS, Director  
              Airports Department

SUBJECT:    **LEASE AGREEMENT WITH THE AIR MUSEUM AT CHINO AIRPORT**

RECOMMENDATION:

1.       Approve Amendment No. 4 to Contract No. 82-137 with Air Museum to provide for the early termination of Chino Airport lease.
2.       Approve Amendment No.1 to Contract No. 97-384 with Air Museum to provide for the early termination of Chino Airport lease.
3.       Approve a twenty-year lease agreement with Air Museum whereby the County will provide land and building space for the operation of an aircraft museum and development of four hangars at Chino Airport.

BACKGROUND INFORMATION: On March 29, 1982, the Board of Supervisors approved Contract No. 82-137 with Air Museum, a non-profit organization. Air Museum desired to lease a portion of Chino Airport for the purpose of operating a historic aircraft museum. The contract with Air Museum consisted of leasing 14,704 square feet of Building #13 and 3.13 acres of land at the Airport. Amendment No.1 allowed the Air Museum to lease an additional 1.44 acres for a parking area. Amendment No.2 permitted the Air Museum to lease the remaining portion of Building #13 (6,520 square feet) and another .50 acres of land. Amendment No. 3 reduced the amount of leased square feet by 4,087 in order to provide more space for Fighter Rebuilders to perform aircraft restoration. This 25-year agreement is not scheduled to terminate until February 28, 2007.

On June 10, 1997, the Board approved Contract No. 97-384. This contract allowed the Air Museum to lease the majority of Hangar No. 4, with approximately .69 acres of surrounding land and an additional .477 acres for parking. The Air Museum requested this area for the purpose of displaying aircraft. This 5-year agreement is scheduled to terminate on June 9, 2002.

At this time, the Air Museum wishes to expand its operation by leasing additional land at Chino Airport. The Air Museum is requesting this land so it can develop four new hangars at Chino Airport. The Air Museum plans to invest \$1,000,000 in the development of these hangars. This expansion can be accomplished by terminating the existing agreements (Contract No. 82-137 and Contract No. 97-384), and approving a new agreement with Air Museum.

Record of Action of the Board of Supervisors

Under the terms of the proposed agreement, Air Museum would lease 9.53 acres of land at Chino Airport, including 17,137 square feet of Building #13. This twenty (20) year lease would commence on February 29, 2000 and continue through February 28, 2020. Air Museum would have the option of extending the lease for two (2) five-year periods. The additional acres of land requested by Air Museum would be needed to accommodate the development of the four hangars. Construction of these hangars would be completed by March 1, 2006. Included within this area of leased land is a 1.57-acre County maintenance yard. Air Museum would be required to demolish this facility at its own cost. In consideration of leasing the 9.53 acres, the County would receive a monthly fee of \$3,478. After completion of the first, second, third and fourth hangars, the fee would be reduced to \$2,087, \$835, \$167, and \$1 respectively. If this new agreement were to be approved, Contract No. 82-137 would be terminated immediately. Contract No. 97-384 would remain intact until the date when the Air Museum can be relocated to one of the new hangars. At such date, Contract No. 97-384 would also be terminated. The Director of Airports would be authorized to agree to such a date of relocation.

The Department recommends the Board's approval of this item based on the positive economic impact of the Air Museum on Chino Airport and the surrounding community. A "clustering" of aircraft restoration firms at the Airport has taken place over the years due to the existence of the Air Museum. If the Air Museum were to relocate, the Airport could potentially lose up to five repair and maintenance businesses. The adverse effect of this scenario would be the loss of local employment and Airport revenues. Also, of the 32,649 visitors who frequented the Museum in 1999, staff has estimated that 25% were from out of the area. Based on historical data of lodging, meals and entertainment spending, staff estimates that out-of-town visitors to the Museum generate over \$1 million per year in economic benefits to the local area. The Department believes that the lease fee reductions are essential incentives for retaining the Air Museum.

In terms of longevity, the Air Museum is the oldest tenancy at Chino Airport and has gained significant national exposure. The Air Museum enjoys international acclaim, both for its unique and rare collection of aircraft that participate in air shows and special exhibits. Included among the rarest of aircraft are the only flying Japanese "Zero" in the world and the one-of-a-kind Northrop N9MB "Flying Wing", a forerunner to the modern B-2 "Stealth" bomber. The Air Museum, which is the main attraction at the Airport, also provides goodwill and education for the community.

REVIEW BY OTHERS: The recommended actions contained in this agenda item have been reviewed by the Real Estate Services Department and Risk Management; and approved as to legal form by Deputy County Counsel Fiona Luke on February 1, 2000. In addition, this item has been reviewed and recommended for approval by the County Airports Commission.

FINANCIAL IMPACT: Currently, Chino Airport receives \$46,420 in annual lease fees from the Air Museum (\$12,268 from Contract No. 82-137 and \$34,152 from Contract No. 97-384). If the Board approves this item, the annual lease fee would initially increase to \$75,893 (\$41,741 from the proposed agreement and \$34,152 will continue to be received from Contract No. 97-384). When Contract No. 97-384 is terminated at the time the Air Museum relocates to its new hangar, the \$34,152 annual lease fee would cease. The \$41,741 annual lease fee from the proposed agreement would eventually be reduced to \$1 per year when all the hangars have been completed. In addition to receiving these lease fees, the County will also benefit from having the Air Museum contribute \$1 million of facilities improvements at Chino Airport.

SUPERVISORIAL DISTRICT(S): Fourth

PRESENTER: Robert P. Olslagers